Written Testimony of Steven D. Rudman
Executive Director
Housing Authority of Portland

Before the U.S. House Committee on Government Reform
Subcommittee on Federalism and the Census

May 10, 2006

Thank you Chairman Turner and members of the subcommittee for this opportunity to testify today. The question you are asking – "Public Housing Management: Do the Public Housing Authorities Have the Flexibility They Need to Meet the Changing Demands of the 21st Century" – is a critical one for our industry.

I am speaking today as the executive director of a mid-size housing authority that has the privilege of operating under the deregulatory authority of the Moving to Work demonstration program. There are less than 30 MTW agencies – not even one percent of the housing authorities nationwide. I believe all of us would answer "yes" with varying degrees of enthusiasm in response to your question. I also believe that our colleagues who do not enjoy MTW status and operate under QHWRA as currently implemented would give you a resounding, collective "no" for an answer. In my view that is not so much a criticism of QHWRA – which granted the industry significantly more flexibility than it had previously – as it is a recognition that Moving to Work goes much further in removing the barriers to effective management of resources that are exceedingly difficult to manage.

I also am speaking to you today from the perspective of a housing authority that has two affordable housing portfolios. We own and operate 2,500 units of traditional public housing. We also own – often in partnership with others – 4,000 units of workforce and special needs housing. We have built this portfolio over the last 15 years with public and private financing, using tools such as our bonding authority and the federal Low Income Housing Tax Credits. We serve as asset managers for this portfolio and contract with property management firms to run the properties on-site. So, we have an excellent vantage point from which to view the transition of traditional public housing to an asset management model. We also understand what it takes to develop new affordable housing. We served as the developer for 21 of our 33 affordable housing properties, and we are performing that role for the two HOPE VI redevelopment projects we have underway.

So, bringing MTW experience, and taking our housing authority's deep background in development and asset management into account, I would like to make four points today in response to the question you posed.

GIVE HOUSING AUTHORITIES ALL OF THE ASSET MANAGEMENT TOOLS THEY NEED

First, housing authorities must be allowed to be true asset managers of public housing. At the Housing Authority of Portland, we have fully embraced the shift to a property-based public housing management model. We manage staff at the site level, budget at the site level, financially account at the site level, take applications at the site level, and otherwise do business as the private or nonprofit sectors would. Our transition has been underway for two full years. We initiated it in advance of HUD issuing its operating rule on public housing management because it made good business sense to us.

However, the transition to true asset management will not be complete without access to capital markets or the ability to use debt financing as a tool in managing public housing – capabilities available in any standard asset management tool kit in the non-profit and private sectors. This was provided for by QHWRA but hasn't yet been fully implemented. HUD has taken the step of allowing financing on future capital grants. We were one of the first housing authorities to use this tool, and it helped us underwrite one of our HOPE VI redevelopments. While it took us six months from our decision to use this tool to closing, we understand that other housing authorities have found the process longer, more arduous, and expensive. We would advocate strongly for a more streamlined process for transactions that meet certain requirements.

More importantly, the tool is limited because it has a finite cap. Housing authorities should be able to attach debt to conventional public housing much more broadly. QHWRA provided for this need and authorized housing authorities to use operating funds in addition to capital funds to develop public housing in partnership with other entities. The act also permits housing authorities to grant mortgages and security interests in their public housing properties. We are interested in both sets of tools as we look to future development. For instance, we are looking at including public housing units in our existing affordable housing properties. However, HUD has not issued regulations for either approach, and lawyers have cautioned us that our MTW status may not give us the authority to proceed without these regulations in place. The ability to use these conventional real estate financing tools more fully also will help housing authorities meet the tremendous capital needs we have for our existing public housing. This need is universal among housing authorities with public housing, no matter what the size of our portfolios, as the capital funding we receive simply is not adequate.

EXTEND MOVING TO WORK TO A BROADER GROUP OF HOUSING AUTHORITIES

My second point today is that the flexibility just a very few of us have under the Moving to Work program should be extended to a broader group of housing authorities. This flexibility gives us tremendous ability to tailor policies and programs to local conditions, needs, and priorities. At the end of the day, that is the most important benefit a housing authority can bring to its community. Let me give you three examples from our own experience with MTW.

We were one of the first three housing authorities in the nation to receive MTW status. At the outset of the demonstration, we set our sights on helping our residents achieve self-sufficiency and used our ability to move funds between programs to support this effort. Moving from housing assistance to homeownership may sound like a straightforward path, but I can assure you that it isn't when you face the barriers that some of our residents live with each day. Typically, we work with residents over the course of five years to make sure they have the tools, the services, and the encouragement they need to achieve the life goals they set at the outset of our program. Since becoming an MTW agency, 445 residents have graduated from our self-sufficiency program – left public assistance – and 40 percent of them have become homeowners. We would not have achieved these results without the additional investment in this program that MTW flexibility allowed us to make.

MTW also has given us the flexibility to use our Section 8 resources to create a local project-based Section 8 program that has significantly expanded the stock of affordable housing in our community. Over the last four years, we have dedicated more than 800 of our 8,000 vouchers to this endeavor. The ongoing revenue support we have been able to provide non-profit partners with this resource often is the critical gap funding that allows them to secure other financing for their development projects. Using our vouchers as leverage has resulted in 15 partners being able to develop or preserve thousands of affordable housing units throughout our county. And while that outcome alone is impressive, we also take great satisfaction in knowing that the units that are supported directly by our Section 8 dollars provide a home for residents who are among the hardest to house – people who would not succeed in our traditional Section 8 voucher program. This program was designed in response to local need to help this population and a desire to leverage our resources with other available community support for affordable housing. We would not have had the ability to tailor the program as we did without MTW authority.

MTW authority also helped us grapple with the Section 8 funding shortfall we faced in 2004. If you recall, that was the year that HUD changed how Section 8 was funded. Rather than reimburse housing authorities for actual program costs, we were funded at a level comparable to our costs during a three-month period in the prior year. As a result, we faced a $4 million gap between program costs and funding for 2005. We posed a very simple question to our Section 8 participants and community stakeholders: should we provide the same number of people with less support or provide the same support to fewer people? Our participants and our community overwhelmingly favored serving the same number of people, even if it meant less assistance. I can't tell you how heart wrenching it was to read the letters advocating this approach from participants who told us that they would cut back on food and certain medications, if need be, if it meant that no one would be dropped from the program and every voucher would be used. And when presented with an array of choices that would accomplish the goal they desired, our community said they would prefer we raise the percentage of income our participants pay toward their rent. So, if you are a Section 8 participant in Portland, Oregon, you pay a minimum of 35 percent, rather than 30 percent, of your income toward rent. While this situation is far from ideal, it was the preferred choice of our community. And it wouldn't have been possible without the flexibility we have under MTW.

Those are just three examples of what we've been able to do under MTW. It's unlikely you will find another housing authority that has made exactly the same choices. And that's just the point

– MTW gives all of us the ability to map a path that takes us where our community needs us to go. Providing this capability to more housing authorities would give them a very powerful tool for coping with the demands this century will bring.

CONTINUE AND INCREASE SUPPORT FOR THE HOPE VI PROGRAM

My third point today is one I know you've heard from others: I urge you to continue and, in fact, increase, support for the HOPE VI program. As you heard at the February hearing, the HOPE VI program has been invaluable in replacing the nation's most distressed public housing with vibrant, mixed-income neighborhoods that lift their communities up. There is no other development tool for public housing that comes close to matching the benefits of the HOPE VI program. The grants allow for, and indeed mandate, critical social services and community development activities. These elements, combined with the new housing, provide benefits far beyond those that new housing alone can bring.

We have experienced this first hand in Portland. Our first HOPE VI redevelopment – New Columbia – is replacing 462 World War II era public housing units with an 864-unit, 82-acre community that features a mix of public housing, workforce rentals, and homes for sale. The new development has what we affectionately call a good, old-fashioned main street to bring residents and their surrounding neighbors together. You can stroll down our main street and find a city park complete with community garden and fountain, a neighborhood grocery store, a coffee shop (essential to any self-respecting neighborhood in the rainy northwest), and a lifelong learning and work center that is a partnership between our agency, Portland's community college, the state department of employment, and our regional workforce investment organization. Our main street will also serve the book ends of any healthy community – the oldest and youngest among us – with senior housing at one end of the avenue and a new public elementary school and Boys & Girls Club at the other.

This $200 million investment in an area of our city that has been historically underserved began with a $35 million HOPE VI grant. The dollars are impressive, but the true value of the program lies in the fact that lives will change for the better and an entire community will be repositioned and healthier. It is for the promise being realized at New Columbia that we support efforts to extend the program. We also support efforts to strengthen the program by requiring that participating housing authorities collaborate even more closely with community partners, such as local schools, to ensure these investments continue to be realized over many decades and by more than one generation of residents and their neighbors.

REQUIRE LOCAL COLLABORATION AND PARTNERSHIPS

And this brings me to my fourth and final point: I'd like to urge anyone considering the design of new public housing initiatives to build in requirements for collaboration from the outset. Whether conscious or not, housing policy shifts over the last several decades have resulted in housing authorities serving a very poor client base. At our housing authority, nearly 90 percent of the households in each of our federally funded programs – public housing and Section 8 –

make less than 30 percent of our area median income. Some 50 percent are elderly and disabled, and the disabled population has been growing steadily as a percentage of the total. We truly serve the poorest of the poor, and our community sees us as an essential safety net. We accept and embrace this mission, yet we know we cannot do it alone.

In reviewing the testimony from the February panels, I found myself agreeing, again and again, with Alexander Von Hoffman. He is absolutely right that housing is not a panacea. It takes much more than housing to create the proverbial village. And just as funding for affordable housing is a challenge to find at every level of our government, so is funding for social services and community development activities. Under these circumstances – which many do not see changing perceptibly no matter which way the political winds blow – it is critical that those of us who have resources to support our most vulnerable find ways to use those precious tools more collaboratively and systemically. This, of course, is much easier said than done, even at the local level, where alliances and coalitions come more naturally. So it is imperative that those who wield policy and fiscal power at the federal level look for creative ways to promote partnerships among those of us who serve the very poor at the local level.

TWO CONCERNS ABOUT GREATER FLEXIBILITY

In conclusion, I'd like to address a concern you may have about greater flexibility and then share a concern I have about this outcome.

First, the concern I might have sitting in your seat: should we extend greater freedom to a group of organizations when some of them have had serious management issues over the years? And with that freedom, will they abandon the very people who need their services the most? I need only look to the MTW housing authorities to answer that question. Admittedly, all of us were housing authorities that were "high performers" by HUD standards. But none of us took MTW as an opportunity to lower our performance standards. If anything, we feel more pressure today: we must continue to perform at a level of excellence that demonstrates why we deserve this status and we must find ways to innovate and change to better meet local needs. We also have committed to serving the same resident profile that we had at the outset of the demonstration. Speaking for Portland, I can tell you that our client population has become even more needy in the seven years we've operated as an MTW agency.

Now, my concern: while flexibility is a key question, so is adequate funding. They are not mutually exclusive, and one does not compensate for the other. All the flexibility in the world will not maintain decades-old physical stock that continues to age as I sit here. It will not reverse market trends, which are driving rents and home prices up in our region and many other areas of the country. It will not offset the effects of working with a very poor population that has increasingly less access to services. We can, and will, improve how we manage public housing. But it will take good management, program and policy flexibility, and adequate resources to preserve this resource well into our new century. I thank you for your support in the past and hope it will continue, on all fronts, into the future.